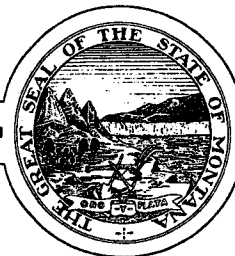


DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION

EXHIBIT 13
DATE 2/9/2011
NO 136



BRIAN SCHWEITZER, GOVERNOR

1625 ELEVENTH AVENUE

STATE OF MONTANA

DIRECTOR'S OFFICE (406) 444-2074
TELEFAX NUMBER (406) 444-2684

PO BOX 201601
HELENA, MONTANA 59620-1601

January 31, 2008

David L. Puyear, Executive Director
Montana Rural Education Association
P.O. Box 1612
Helena, Montana 59624

Re: Refund of Otter Creek Coal Lease Application Fee

Dear Dave:

I enjoyed our recent phone discussion regarding the Otter Creek coal tracts. Since the department has already received an application from Wesco Resources, I am refunding your application fee as required by our administrative rules:

"Where more than one application is filed on any one tract, the department shall notify each person submitting an application subsequent to the first qualified application that there is a prior application for that tract. All subsequent application fees shall be returned. This is the only instance in which the application fee may be refunded." [ARM 36.25.304(5)]

You should receive your refund under separate cover within the next three weeks. If it does not arrive within that timeframe, please contact me.

As we discussed, refunding duplicate fees is purely an administrative requirement. The Land Board and department continue their efforts to seek responsible development of the coal resource at Otter Creek, and we are mindful of the significant impact it could have on school funding. In that regard, I sincerely appreciate your interest.

If you have any questions or additional thoughts, please let me know.

Sincerely,

Monte Mason

Monte Mason, Chief
Minerals Management Bureau

MONTANA RURAL EDUCATION ASSOCIATION ^{HE 20816157}

Dave Puyear
Executive Director

P.O. Box 1612
Helena, MT 59624
Phone: 406-443-2629
FAX: 406-449-0985
E-mail: dpuyear@mrea-mt.org



January 8, 2008

Mary Sexton, Director
Montana Department of Natural Resources and Conservation
P.O. Box 201601
Helena MT 59620-1601

RECEIVED

JAN 9 2008

D.N.R.C.

Dear Mary:

The Montana Rural Education Association (MREA) submits the enclosed application regarding our request that the Otter Creek Coal Lands described in the attached documents be placed up for lease as provided for in ARM 36.25.304.

MREA submits this application and filing fee to the State Land Board in light of the significant short-term and long-term financial crisis facing Montana's K- 12 Schools, particularly the rural "Class "B", "C" and Independent Elementary districts whom we represent across the state. MREA is specifically requesting that the Montana Land Board immediately act upon this application.

Recently MREA conducted a survey in sampling school districts of virtually all size categories and from all geographical areas of the state. With respect to the budget crisis facing Montana's schools we found:

- Of all new ongoing funding provided by the 2007 legislative sessions, 60% of Montana schools responding will have received only \$25,000 to \$250,000 new dollars in revenue.
- Of all new ongoing funding provided by the 2007 legislative sessions 48% of these Montana schools responding will have received LESS than \$100,000 dollars in new revenue.

MREA's findings and the situation facing Montana's schools were confirmed in a report from the Legislative Fiscal Division to the Education and Local Government Legislative Interim Committee in December 2007. Based on this report we are projecting that 298 "equalized" school districts will receive approximately a 2% increase without a voted levy at a time when inflation is clearly running over 4%. Even more alarming, the 121 "disequalized" school districts across the state will experience approximately \$8 million in budget cuts without a voted levy.

In March of 2005 Montana's Supreme Court cited a variety of findings related to the state's dysfunctional funding system. Many of these were related to the personnel and services provided by our schools. The funding projections described above have the potential to continue to contribute to the problems identified by the court. With regards to the critical issues related to teacher recruitment and retention, MREA's survey found that:

- 90% of schools responding have seen a **decline** in the **number** of applicants for open teaching positions.
- 80% of schools responding have seen a decline in the **quality** of applicants for open teaching positions.

- More than 60% of school responding stated that the **quality of applicants for open teaching positions was "worse or much worse"** in the last 10 years.
- More than 50% of schools responding will see **20 to 60% of their teaching staffs eligible to retire** in the next five years.

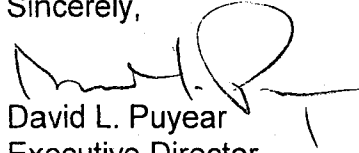
In a letter dated March 18, 2002 State Superintendent of Public Instruction, and current land board member Linda McCulloch explained her reasons for approving of the Otter Creek Transfer Agreement. She stated: *"...I am vitally aware of how important the transfer is for generating much needed funds for the school kids of Montana".*

Superintendent McCulloch continued in her explanation of her approval of the transfer: *"...Resolving the issue means potentially millions of dollars for Montana's K-12 schools and university system, good paying jobs for Montanans, and much needed development for some of our state's most economically depressed communities."*

In submitting this application, MREA wants to make it very clear that should these tracts be successfully leased we will be actively involved in requesting that Montana's Legislature enact and our Governor sign legislation which would apply all bonus and royalty revenues generated by the Otter Creek Tracks to K-12 education funding. This funding would be above and beyond current funding as provided within the state's biennial appropriation process.

MREA would respectfully propose that in consideration of the tremendous financial pressures and challenges facing our public schools the time has come to utilize revenues from Montana's natural resources such as coal, oil, gas, timber and wind to avoid the pending crisis. Specifically we believe it is time for revenues from the Otter Creek Coal Lands which are held in trust for Montana's schools and the children we serve to be used to address these serious financial issues.

Sincerely,



David L. Puyear
Executive Director

**APPLICATION FOR COAL MINING LEASE
FROM THE STATE OF MONTANA**

TO: DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
STATE OF MONTANA
PO BOX 201601
HELENA, MT 59620-1601

APPLICANT: Montana Rural Education
Association

ADDRESS: P.O. Box 1612, Helena, Montana

Application is hereby made by the undersigned to the Department of Natural Resources and Conservation of the State of Montana for issuance of a coal mining lease under the provisions of Title 77, Chapter 3, Part 3, M.C.A., and amendments relating thereto, embracing the following state lands:

OTTER CREEK TRACT NO. 1
Township 3 South, Range 45 East, MPM
Section 26: All
Section 34: All
Section 36: All
Township 4 South, Range 45 East, MPM
Section 2: Lots 1, 2, 3, 4, S1/2N1/2, S1/2

OTTER CREEK TRACT No. 2
Township 4 South, Range 45 East, MPM
Section 10: NE1/4, E1/2W1/2, NW1/4SE1/4, S1/2SE1/4, NE1/4SE1/4
Section 12: N1/2, S1/2
Section 14: Lots 1 through 8, inclusive, and W1/2
Section 22: E1/2SW1/4, N1/2NE1/4, SE1/4NE1/4
Section 24: Lots 1 through 8, inclusive, W1/2E1/2, and E1/2W1/2
Section 26: N1/2, S1/2

OTTER CREEK TRACT NO. 3
Township 4 South, Range 45 East, MPM
Section 6: Lots 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, SE1/4
Section 8: Lots 1, 2, 3, 4, 5, 6, 7, 8, N1/2NE1/4, SW1/4NE1/4, SE1/4NE1/4, SE1/4
Section 18: All
Section 20: Lots 1, 2, 3, 4, E1/2, E1/2W1/2
Section 22: W1/2W1/2

Containing 6,346.14 acres, more or less, in Powder River County.

Remitted herewith is a non-refundable application fee of fifty dollars (\$50.00).

(Failure to answer the following questions if applicable, will result in the application being returned as incomplete.)

If the applicant is a corporation or company not incorporated in Montana, has it obtained a certificate of authority to do business in Montana from the Secretary of State of the State of Montana? Yes

Is the majority of stock of applicant corporation controlled by interests foreign to the United States (other than interests within countries whose borders are contiguous to the United States)? NA

If applicant is a natural person, is he a citizen of the United States, 18 years or older? NA

this day of January , Year of 2008